

G E Fabbri Limited

Registered No 2226335

G E Fabbri Limited (Registered No 2226335)

Directors' Report and Financial Statements

For the year ended 31 December 2010



G E Fabbri Limited

Registered No 2226335

Contents

Directors' report	1
Statement of Directors' responsibilities	3
Auditor's report	4
Group Profit and loss account	5
Group Statement of total recognised gains and losses	6
Group Balance sheet	7
Company Balance sheet	8
Group Statement of cash flows	9
Notes	10

G E Fabbri Limited

Registered No 2226335

Directors

P L Edwards
A Jarvis
A Westphalen
M Altarriba

Secretary

A Westphalen

Auditors

KPMG LLP
15 Canada Square
London
E14 5GL

Bankers

NatWest Bank PLC
34 Henrietta Street
London WC2E 8NN

Solicitors

Penningtons
Abacus House
33 Gutter Lane
London EC2V 8AR

Registered Office

The Communications Building
7th Floor
48 Leicester Square
London WC2H 7LT

Directors' Report

The directors present their report and group financial statements for the year ended 31 December 2010

Principal activities

The principal activity of the group is the research, production and sale of partworks which are high quality magazines often including a collectible element (for example DVDs, CD Roms, make up, clothing for dolls, etc) and often linked to a character or brand

The company's major markets are in Russia and the UK, followed by other English speaking markets The company in recent years has expanded into other countries Future plans are to further increase the company's activities outside the English speaking markets

Business review

The profit for the year after taxation amounted to £4,672,000 (2009 loss of £700,000)

The group's key financial performance indicators during the year were as follows

Group Turnover has increased from £77.6m in 2009 to £79.1m in 2010 (an increase of 2%) This was mainly due to an increase in sales in the Russian markets, offset by a decrease in UK and Australian markets due to the general economic downturn

Total Operating profit has increased from £2.4m in 2009 to £8.5m in 2010 (an increase of 354%) This increase reflects the success of our expansion into Russia and other European markets Foreign exchange had a negative impact on profitability in 2009 due to unfavourable movements in exchange rates of our trading currencies Total Operating profit before foreign exchange amounted to £8.56m (2009 £4.1m)

The group continues to trade on a sound financial footing keeping working capital to a minimum The ratio of current assets as a percentage of current liabilities remained at a consistent level at 31 December 2010 and 2009 (134%)

Directors

The directors who held office during the year were as follows

P L Edwards

E C P Glaze (resigned 21 January 2011)

G Lattanzi (resigned 21 January 2011)

M Gianì (resigned 21 January 2011)

A Jarvis (appointed 21 January 2011)

A Westphalen (appointed 21 January 2011)

M Altarriba (appointed 21 January 2011)

Dividends

The directors do not recommend the payment of a dividend (2009 £nil)

Principal risks and uncertainties

A prerequisite of partwork publishing is that significant investment is made for the promotion of new titles Despite an extensive programme of research and market testing there remains an element of risk attached to this investment until the actual sales of the new title are established

Foreign currency risk

Given the nature of the international trade in which the company partakes there is an element of uncertainty in the currency markets Where possible a natural hedge is established whereby overseas revenue is used to settle expenditure in the same currency

Directors' Report (continued)

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for that other party by failing to discharge an obligation. Group policies are aimed at minimising such losses, and require that deferred terms are only granted to customers who demonstrate an appropriate payment history and satisfy credit worthiness procedures. Details of the group's debtors are shown in Note 13 to the financial statements.

Policy and practice on payment of creditors

The Company recognises the importance of good relationships with its suppliers and sub-contractors. Although the Group does not follow a particular code or standard on payment practice, its payment policy is to

- Agree payment terms in advance of any commitment being entered into,
- Ensure suppliers are made aware of these terms by inclusion of the terms of payment on the order or contract, and
- Make payments in accordance with the terms, wherever possible, providing that the documentation presented is accurate and complete.

At the year end there were 84 days (2009: 44 days) purchases in trade creditors.

Political and charitable contributions

Neither the Company nor any of its subsidiaries made any political or charitable donations or incurred any political expenditure during the year (2009: £nil).

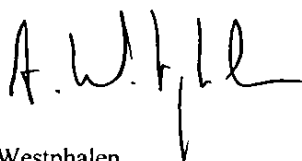
Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Auditors

KPMG LLP was appointed as auditors for the year ending 31 December 2010.

On behalf of the Board



A Westphalen
Director

The Communications Building
7th Floor
48 Leicester Square
London WC2H 7LT

17 June 2011

Statement of Directors' responsibilities in respect of the Directors' Report and the financial statements

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the group and parent company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and parent company and of their profit or loss for that period. In preparing each of the group and parent company financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the parent company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.



KPMG LLP

15 Canada Square

London

E14 5GL

United Kingdom

Independent auditor's report to the members of G E Fabbri Limited

We have audited the financial statements of G E Fabbri Limited for the year ended 31 December 2010 set out on pages 5 to 24. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's web-site at www.frc.org.uk/apb/scope/private.cfm

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 December 2010 and of the group's profit for the year then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent company financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Avtar Jalif (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL

17 June 2011

Group Profit and loss account

for the year ended 31 December 2010

	Notes	2010 £000	2009 £000
Turnover Group and share of joint venture's turnover	2	79,097	77,577
Less Share of joint venture's turnover		(3)	(21)
Group turnover		79,094	77,556
Cost of sales		(60,391)	(62,691)
Gross profit		18,703	14,865
Administrative expenses		(10,192)	(13,988)
Group operating profit	3	8,511	877
Share of operating (loss)/profit in joint venture		(9)	1,485
Total operating Profit group and share of joint venture		8,502	2,362
Net bank interest payable	6	(304)	(362)
Dividends received		-	64
Profit on ordinary activities before taxation		8,198	2,064
Tax on profit on ordinary activities*	7	(3,526)	(2,764)
Profit / (loss) on ordinary activities after taxation		4,672	(700)
Minority interests		4	-
Retained Profit / (loss) for the group and its share of joint venture	17	4,676	(700)

* All tax relates to the group

All turnover is derived from continuing activities

The notes on pages 10 to 24 form an integral part of the financial statements

Group Statement of total recognised gains and losses

for the year ended 31 December 2010

	<i>Notes</i>	<i>2010</i> <i>£000</i>	<i>2009</i> <i>£000</i>
Group excluding share of joint venture results		4,685	(2,148)
Share of joint venture's net (loss)/profit for the year	11	(9)	1,448
Total retained profit/(loss) for the year attributable to members of the parent company		4,676	(700)
Exchange difference on retranslation of subsidiary undertakings	17	(15)	348
Total recognised losses relating to the year		4,661	(352)
Prior year adjustment		-	(1,516)
Total gains and losses since last financial statements		4,661	(1,868)

The notes on pages 10 to 24 form an integral part of the financial statements

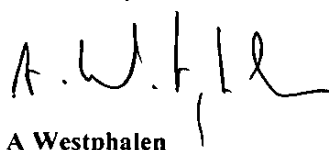
Group Balance sheet

at 31 December 2010

	Notes	2010 £000	2009 £000
Fixed assets			
Intangible assets	8	2	2
Tangible assets	9	539	552
Investments	10	229	230
		<u>770</u>	<u>784</u>
Current assets			
Stocks	12	18,257	11,523
Debtors	13	31,210	26,126
Cash at bank and in hand		3,359	3,135
		<u>52,286</u>	<u>40,784</u>
Creditors amounts falling due within one year	14	(37,733)	(30,371)
Net current assets		<u>15,093</u>	<u>10,413</u>
Total assets less current liabilities		<u>15,863</u>	<u>11,197</u>
Provision for joint venture deficit			
Share of gross assets	11	378	378
Share of gross liabilities	11	(392)	(383)
		(14)	(5)
Net assets		<u>15,849</u>	<u>11,192</u>
Capital and reserves			
Called up share capital	16	685	685
Capital reserve	17	113	113
Profit and loss account	17	15,055	10,394
Shareholders' funds	17	<u>15,853</u>	<u>11,192</u>
Minority interests		(4)	-
		<u>15,849</u>	<u>11,192</u>

The notes on pages 10 to 24 form an integral part of the financial statements

These financial statements were approved by the board of directors on 17 June 2011 and were signed on its behalf by



A Westphalen
Director

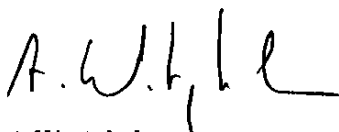
Company Balance sheet

at 31 December 2010

	Notes	2010 £000	2009 £000
Fixed assets			
Intangible assets	8	2	2
Tangible assets	9	499	549
Investments	10	266	271
		<u>767</u>	<u>822</u>
Current assets			
Stocks	12	4,605	5,431
Debtors	13	36,393	36,158
Cash at bank and in hand		1,438	987
		<u>42,436</u>	<u>42,576</u>
Creditors amounts falling due within one year	14	(30,862)	(31,058)
Net current assets		<u>11,574</u>	<u>11,518</u>
Net assets		<u>12,341</u>	<u>12,340</u>
Capital and reserves			
Called up share capital	16	685	685
Profit and loss account	17	11,656	11,655
Shareholders' funds	17	<u>12,341</u>	<u>12,340</u>

The notes on pages 10 to 24 form an integral part of the financial statements

These financial statements were approved by the board of directors on 17 June 2011 and were signed on its behalf by



A Westphalen
Director

Group Statement of cash flows

for the year ended 31 December 2010

		2010	2009
	Notes	£000	£000
Net cash inflow / (outflow) from operating activities	19 (a)	7,597	5,295
Returns on investments and servicing of finance			
Interest paid		(398)	(432)
Interest received		94	70
		(304)	(362)
Dividends (paid) / received		(3,000)	64
Taxation			
Taxation paid		(2,901)	(4,136)
Capital expenditure and financial investment			
Payments to acquire tangible fixed assets		(318)	(63)
Financing			
(Decrease)/increase in short term borrowings		(850)	(3)
Increase in cash in the year		224	795

Reconciliation of net cash flow to movement in net funds

		2010	2009
	Notes	£000	£000
Increase in cash in the year		224	795
Cash outflow from decrease in debt	19(b)	850	3
Change in net funds arising from cash flows	19(b)	1,074	798
Net funds at beginning of the year	19(b)	2,285	1,487
Net funds at end of the year	19(b)	3,359	2,285

The notes on pages 10 to 24 form an integral part of the financial statements

Notes to the financial statements

at 31 December 2010

1. Accounting policies

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards, and under the historical cost accounting rules

Going concern

The company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Business Review on page 1. The directors believe that the company is well placed to manage its business risks.

The directors have a reasonable expectation that the company will be able to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary undertakings made up to 31 December 2010. The acquisition method of accounting has been adopted. Under this method, the results of subsidiary undertakings acquired or disposed of in the year are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal.

An associate is an undertaking in which the Group has a long term interest, usually from 20% to 50% of the equity voting rights, and over which it exercises significant influence. A joint venture is an undertaking in which the Group has a long-term interest and over which it exercises joint control. In the group financial statements, joint ventures are accounted for using the gross equity method.

Where a group company is party to a joint arrangement which is not an entity, that company accounts directly for its share of the income and expenditure, assets, liabilities and cash flows. Such arrangements are reported in the consolidated financial statements on the same basis.

Under Section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own profit and loss account. The loss of the company for the year is disclosed in note 17.

Revenue

Revenue is recognised to the extent that the group obtains the right to consideration in exchange for its performance. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, VAT and other sales taxes or duty.

Revenue from the sale of partworks is recognised on dispatch of the goods subject to the issue's launch date. Revenue is recognised net of actual sales returns and a provision for future sales returns.

Dividends

Revenue is recognised when the Group's right to receive payment is established.

Notes to the financial statements

at 31 December 2010

1. Accounting policies (continued)

Depreciation

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Such cost includes costs directly attributable to making the asset capable of operating as intended.

Depreciation is provided to write off the cost, less estimated residual values, of all fixed assets over their expected useful lives. It is calculated at the following annual rates:

Fixtures and fittings	–	25% straight line
Office equipment	–	25% straight line
Motor vehicles	–	25% straight line
Leasehold improvements	–	25% straight line

The carrying values of tangible fixed assets are reviewed for impairment in periods when events or changes in circumstances indicate the carrying values may not be recoverable.

Goodwill

Goodwill is the difference between the cost of an acquired entity and the aggregate of the fair value of that entity's identifiable assets and liabilities.

Positive goodwill is capitalised, classified as an asset on the balance sheet and amortised on a straight line basis over its useful economic life of up to 20 years. It is reviewed for impairment at the end of the first full financial year following the acquisition and in other periods when events or changes in circumstances indicate that the carrying value may not be recoverable.

Stocks

Stocks are stated at the lower of cost and net realisable value. In determining the cost of stock, the weighted average purchase price is used. Work in progress represents recoverable editorial and production costs on future partwork issues.

Research and development

Research and development expenditure is written off as incurred.

Foreign currency

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the contracted rate or the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

The assets and liabilities of overseas subsidiary undertakings and associated undertakings are translated at the closing exchange rates. Profit and loss accounts of such undertakings are consolidated at the average rates of exchange during the year. Gains and losses arising on these translations are taken to reserves, net of exchange differences arising on related foreign currency borrowings.

Investments (Company)

Investments in subsidiary undertakings, associates and the joint venture are stated at cost. The carrying values of investments are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Notes to the financial statements

at 31 December 2010

1. Accounting policies (continued)

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax with the following exceptions

- provision is made for deferred tax that would arise on remittance of the retained earnings of associates, subsidiaries and joint ventures only to the extent that, at the balance sheet date, dividends have been accrued as receivable, and
- deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which future reversal of the underlying timing differences can be deducted

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date

Post retirement benefits

Contributions to the company's defined contribution pension scheme are charged to the profit and loss account in the year in which they become payable

Leases

Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease

2. Turnover

An analysis of turnover by geographical market is given below

	2010	2009
<i>By Destination</i>	<i>£000</i>	<i>£000</i>
Russia and Eastern Europe	66,396	57,784
United Kingdom	5,166	11,113
Australia	2,733	3,715
Other	4,802	4,965
	<u>79,097</u>	<u>77,577</u>
 <i>By Origin</i>	 <i>£000</i>	 <i>£000</i>
Russia and Eastern Europe	66,396	57,722
United Kingdom	7,899	16,936
Other	4,802	2,919
	<u>79,097</u>	<u>77,577</u>

Turnover by activity has not been separately disclosed as all revenues relate to the sale of partworks

Notes to the financial statements

at 31 December 2010

3. Profit on ordinary activities before tax

This is stated after charging/(crediting)

	2010	2009
	£000	£000
Depreciation - owned assets	331	294
Auditors' remuneration – audit services UK	120	95
– audit services overseas	64	72
Exchange differences	61	1,731
Operating lease rentals – land and buildings	615	597
	<u>615</u>	<u>597</u>

4. Directors' emoluments

The directors received no emoluments during the year (2009 ~ £nil). The directors are paid for their services through other companies in the RCS Group and a related party, G E Publishing Limited

5. Staff costs

	2010	2009
	£000	£000
Wages and salaries	354	488
Social security costs	92	56
Other pension costs	68	73
	<u>514</u>	<u>617</u>

Staff costs incurred by G E Publishing Limited are recharged to the company (see note 21)

The monthly average number of employees, excluding directors, during the year was as follows

	2010	2009
	No	No
Production	1	1
Sales	1	1
Administration	3	3
	<u>5</u>	<u>5</u>

6. Interest

	2010	2009
	£000	£000
Interest received	94	70
Interest paid	(398)	(432)
Net interest paid	<u>(304)</u>	<u>(362)</u>

Notes to the financial statements

at 31 December 2010

7. Tax

(a) Analysis of tax charge in the year

	2010 £000	2009 £000
<i>Current tax</i>		
UK corporation tax on profits for the year	727	1,084
Overseas tax suffered	2,587	3,093
Overseas tax relieved	(727)	(1,084)
Total current tax (note 7(b))	2,587	3,093
Deferred tax (note 15)	939	(329)
Tax on profit on ordinary activities	3,526	2,764

(b) Factors affecting current tax charge for the year

	2010 £000	2009 £000
Profit on ordinary activities before tax	8,198	2,064
Profit on ordinary activities multiplied by standard rate of UK corporation tax of 28% (2009 28%)	2,295	578
<i>Effects of</i>		
Expenses not deductible for tax purposes	29	572
Capital allowances in the year in arrears of depreciation	-	60
Differences in tax rate	(288)	-
Other timing differences (including UK/Russian GAAP differences)	551	1,883
Current tax charge for the year	2,587	3,093

Notes to the financial statements

at 31 December 2010

8. Intangible fixed assets

Group & Company

	<i>£000</i>
Cost	
At 1 January 2010	2
Additions during the year	-
	<u>2</u>
At 31 December 2010	<u>2</u>
Amortisation	
At 1 January 2010	-
Charged during the year	-
	<u>-</u>
At 31 December 2010	<u>-</u>
Net book value	
At 31 December 2010	<u>2</u>
At 1 January 2010	<u>2</u>

Notes to the financial statements

at 31 December 2010

9. Tangible fixed assets

Group

	<i>Leasehold improvements</i> £000	<i>Fixtures and fittings</i> £000	<i>Office equipment</i> £000	<i>Motor vehicles</i> £000	<i>Total</i> £000
Cost					
At 1 January 2010	367	63	1,080	-	1,510
Additions	-	-	318	-	318
At 31 December 2010	367	63	1,398	-	1,828
Depreciation					
At 1 January 2010	206	34	718	-	958
Charged during the year	91	15	225	-	331
At 31 December 2010	297	49	943	-	1,289
Net book value					
At 31 December 2010	70	14	455	-	539
At 31 December 2009	161	29	362	-	552

Company

	<i>Leasehold improvements</i> £000	<i>Fixtures and fittings</i> £000	<i>Office equipment</i> £000	<i>Motor vehicles</i> £000	<i>Total</i> £000
Cost					
At 1 January 2010	367	63	1,071	-	1,501
Additions	-	-	276	-	276
At 31 December 2010	367	63	1,347	-	1,777
Depreciation					
At 1 January 2010	206	34	712	-	952
Charged during the year	91	15	220	-	326
At 31 December 2010	297	49	932	-	1,278
Net book value					
At 31 December 2010	70	14	415	-	499
At 31 December 2009	161	29	359	-	549

Notes to the financial statements

at 31 December 2010

10. Investments

Group

	£000
Cost	
At 1 January 2010	230
Exchange adjustment	(1)
At 31 December 2010	229
Amounts provided	
At 1 January 2010 and 31 December 2010	-
Net book value	
At 31 December 2010	229
At 31 December 2009	230

All investments are unlisted and represent the Group's interest in companies where its shareholding is up to 20% and where it does not exercise a significant influence

Investments

Company

	Subsidiary undertakings £000	Joint ventures and associates £000	Investments £000	Total £000
Cost				
At 1 January 2010	40	1	230	271
Exchange adjustment	-	-	(1)	(1)
Disposals	(4)	-	-	(4)
At 31 December 2010	36	1	229	266
Amounts provided				
At 1 January 2010 and 31 December 2010	-	-	-	-
Net book value				
At 31 December 2010	36	1	229	266
At 31 December 2009	40	1	230	271

Details of the investments in which the group and the company hold 20% or more of the nominal value of any class of share capital are as follows

Notes to the financial statements

at 31 December 2010

10. Investments (continued)

<i>Subsidiary undertakings</i>	<i>Proportion of nominal value and class of shares held</i>	<i>Nature of business</i>	<i>Country of incorporation</i>
G E Fabbri Editions	100% Ordinary	Publisher of partworks	Ukraine
G E Fabbri Editions	100% Ordinary	Publisher of partworks	Russia
G E Fabbri Editions E O O D	100% Ordinary	Publisher of partworks	Bulgaria
G E Fabbri do Brasil Participações Ltda	99% Ordinary	Publisher of partworks	Brazil
<i>Joint Ventures</i>			
G E Eaglemoss Limited	50% Ordinary	Publisher of partworks	Great Britain
G E Eaglemoss IP Ltd	50% Ordinary	Provider of Intellectual Property	Great Britain
<i>Trade Investments</i>			
Call Centre Factory	20% Ordinary	Fulfilment	France
Data Base Factory Limited	20% Ordinary	Fulfilment	UK
Data Base Factory SAS	20% Ordinary	Fulfilment	France
Mail Order Factory	20% Ordinary	Fulfilment	France

During the year, the Company liquidated G E Fabbri Phoenix S p z o o, a wholly owned subsidiary in Poland as well as two of its Russian subsidiaries, Partwork Solutions and Collectible Editions. The operations and balances of its Russian subsidiaries were merged into G E Fabbri Editions (Russia).

The company has also incorporated a new limited liability company in Brazil, G E Fabbri do Brasil Participações Ltda. The company holds 99% of the shares, the remaining 1% is held by GE Publishing Limited, a related party.

11. Investment in joint ventures

The Group has investments in GE Eaglemoss Limited and GE Eaglemoss IP Ltd which are determined to be joint ventures.

Additional disclosures are given in respect of GE Eaglemoss Limited, which exceeds certain thresholds under FRS 9 'Associates and Joint Ventures', as follows:

The joint venture was formed on 29 March 2005 and its year-end is 31 December. Audited information for this period is not available at the date of signing these financial statements and the directors believe that the management accounts are materially correct and appropriate for inclusion within the Group financial statements.

Share of GE Eaglemoss Limited Balance sheet

	<i>2010 £000</i>	<i>2009 £000</i>
Current assets	378	378
Share of gross assets	378	378
Liabilities due within one year	(392)	(383)
Share of gross liabilities	(392)	(383)
Share of net liabilities	(14)	(5)

Notes to the financial statements

at 31 December 2010

11. Investment in joint ventures (continued)

Share of GE Eagle Moss Limited Profit and loss

	2010 £000	2009 £000
Turnover	-	21
Profit /(loss) before tax	(9)	1,485
Taxation	-	(37)
Profit /(loss) after tax	(9)	1,448

12. Stocks

	2010 £000	Group 2009 £000	2010 £000	Company 2009 £000
Work in progress	14,005	8,059	4,273	3,950
Finished goods	4,252	3,464	332	1,481
	18,257	11,523	4,605	5,431

In the opinion of the directors, there is no material difference between the replacement cost of stock and its book value

13. Debtors: amounts falling due within one year

	2010 £000	Group 2009 £000	2010 £000	Company 2009 £000
Trade debtors	11,544	10,903	4,231	6,053
Amounts owed by parent undertaking	47	49	47	49
Amounts owed by subsidiary undertakings	-	-	21,758	17,392
Amounts owed by related undertakings	4,854	3,372	4,854	3,372
Amounts owed by joint venture	133	133	133	133
Other debtors	10,507	7,771	4,381	7,047
Corporation tax recoverable	69	881	-	787
Deferred tax asset (note 15)	742	1,681	286	286
Prepayments and accrued income	3,314	1,336	703	1,039
	31,210	26,126	36,393	36,158

Notes to the financial statements

at 31 December 2010

14. Creditors' amounts falling due within one year

		<i>Group</i>		<i>Company</i>
	<i>2010</i>	<i>2009</i>	<i>2010</i>	<i>2009</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Bank loan	-	850	-	850
Trade creditors	13,933	8,837	8,675	5,799
Amounts due to parent undertaking	10,845	8,152	10,845	8,152
Amounts owed to related undertaking	4,801	3,018	4,801	3,018
Other creditors	2,269	2,589	2,269	6,425
Taxation and social security	8	13	8	14
Corporation tax	714	1,502	259	1,428
Dividend payable	-	3,000	-	3,000
Accruals and deferred income	5,163	2,410	4,005	2,372
	<u>37,733</u>	<u>30,371</u>	<u>30,862</u>	<u>31,058</u>

15. Deferred tax asset

	<i>£000</i>
At 1 January 2010	1,681
Charged during the year (note 7(a))	(939)
At 31 December 2010	<u>742</u>

This asset is included in "Debtors", see note 13

<i>Group</i>	<i>2010</i>	<i>2009</i>
	<i>£000</i>	<i>£000</i>
Decelerated capital allowances	85	64
Losses carried forward	-	1,395
Other timing differences	498	-
Provisions	159	222
	<u>742</u>	<u>1,681</u>

There are no unprovided deferred tax balances

Company

	<i>2010</i>	<i>2009</i>
	<i>£000</i>	<i>£000</i>
Decelerated capital allowances	85	64
Provisions	159	222
	<u>244</u>	<u>286</u>

There are no unprovided deferred tax balances

The company has tax losses of approximately £3,415,349 (2009 £2,707,821) No deferred tax asset is recognised on the basis that there is currently insufficient certainty as to their recoverability

Notes to the financial statements

at 31 December 2010

16. Authorised and issued share capital

	2010 £000	2009 £000
<i>Authorised, allotted, called up and fully paid</i>		
100 'A' preference shares of £1 each	-	-
1 'B' preference share of £1	-	-
684,932 ordinary shares of £1 each	685	685
	<u>685</u>	<u>685</u>

The holders of the 'A' and 'B' preference shares have no voting rights

On a winding-up of the company, the priority of payments of capital is firstly to pay the 'B' preference shareholder and secondly to pay the 'A' preference shareholder. This includes the subscription price per share together with any arrears of dividends. The balance of capital is payable to the ordinary shareholders.

17. Reconciliation of movement in shareholders' funds

Group

	Share capital £000	Capital reserve £000	Profit and loss account £000	Total share- holders' funds £000	Minority interest £000
At 31 December 2009	685	113	10,394	11,192	-
Profit / (loss) for the year	-	-	4,676	4,676	(4)
Exchange difference	-	-	(15)	(15)	-
At 31 December 2010	<u>685</u>	<u>113</u>	<u>15,055</u>	<u>15,853</u>	<u>(4)</u>

Company

	Share capital £000	Profit and loss account £000	Total share- holders' funds £000
At 31 December 2009	685	11,655	12,340
Result for the year	-	-	-
Exchange difference	-	1	1
At 31 December 2010	<u>685</u>	<u>11,656</u>	<u>12,341</u>

The company has taken advantage of the exemption conferred by Section 408 of the Companies Act 2006 not to present its own profit and loss account. The parent undertaking made a nil profit in 2010 (2009 loss of £2,848,000). The exchange difference is a result of a foreign exchange re-translation of the Hungarian branch.

Notes to the financial statements

at 31 December 2010

18. Pensions

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge of £68,000 (2009: £73,000) represents contributions payable by the company to the funds.

19. Notes to the statement of cash flows

(a) Reconciliation of operating profit to net cash inflow from operating activities

	2010 £000	2009 £000
Operating profit	8,511	877
Depreciation of tangible fixed assets	331	294
Decrease / (increase) in stocks	(6,734)	2,359
Decrease / (increase) in debtors	(6,497)	4,272
Increase / (decrease) in creditors	12,001	(2,855)
Exchange movements	(15)	348
Net cash (outflow) / inflow from operating activities	<u>7,597</u>	<u>5,295</u>

(b) Analysis of changes in net funds

	Opening balance £000	Cash flow £000	Closing balance £000
Cash at bank and in hand	3,135	224	3,359
Bank loan	(850)	850	-
	<u>2,285</u>	<u>1,074</u>	<u>3,359</u>

20. Operating lease commitments

(a) *Capital commitments*

There were no capital commitments outstanding at 31 December 2010 (2009: £nil).

(b) *Lease commitments*

As at 31 December, the Group and Company both had annual commitments under non-cancellable operating leases for land and buildings as follows:

	2010 £000	2009 £000
Operating leases which expire After five years	<u>437</u>	<u>488</u>

Notes to the financial statements

at 31 December 2010

20. Operating lease commitments (continued)

(c) Off-balance sheet arrangements

The operating leases noted above are entered into to provide normal operational support for the Company. They consist of property rental obligations.

The total financial obligations over the remaining lease terms are

	2010 £000	2009 £000
Property rental obligations	2,397	2,885

21. Related party transactions

- (a) During the year, the company undertook net transactions of £511,770 (£511,770 purchases and nil sales) (2009 £667,000 purchases and £nil sales, net of £667,000) with its parent undertakings. The company purchases paper stocks from parent undertakings.

As at the year end, the company also owed a net amount of £10,892,246 (2009 £8,103,000) to the parent company.

- (b) G E Publishing Limited, a company incorporated in England, owns 48.9% of the Company. P L Edwards and E C P Glaze are also directors of G E Publishing Limited.

During the year, the company undertook net transactions of £1,346,851 (£1,346,851 purchases and nil sales) (2009 £1,727,000 purchases and £17,000 sales, net £1,710,000) with G E Publishing Limited. G E Publishing Limited recharges the monthly salary cost of editorial staff directly responsible for the output on specific projects. The amount recharged during the year amounted to £1,042,472 (2009 £1,220,730).

At the year end a net amount of £4,816,288 (2009 £3,335,000) was owed to the Company by G E Publishing Limited.

- (c) G E Magazines Limited, a company incorporated in England, is owned 100% by G E Publishing Limited (see (b) above).

During the year, the company undertook net transactions of £1,560,000 (£1,560,000 purchases and £nil sales) (2009 £1,794,000 purchases and £nil sales, net £1,794,000) with G E Magazines Limited 'GEM'. GEM charges a monthly fee to cover general salary/office costs absorbed by GEM for work performed on the company's behalf.

At the year end, a net amount of £3,334,012 was owed by the Company to GEM (2009 £2,981,000).

22. Ultimate parent undertaking and controlling party

The immediate parent undertaking is RCS International Books B V, a company incorporated in Holland. It has included the company in its group financial statements, copies of which are available from its registered office at Prins Bernhardplein 200, 1097 JB Amsterdam, Holland.

In the opinion of the directors, the company's ultimate parent undertaking and controlling party which is the largest group for which financial statements are drawn up is RCS Mediagroup S p A, a company incorporated in Italy. It has included the company in its group financial statements, copies of which are available from its registered office Via Rizzoli 2, Milan, Italy.

Notes to the financial statements

at 31 December 2010

22. Ultimate parent undertaking and controlling party (continued)

On 21 January 2011 the company was acquired by Eagle Moss Holdings (UK) Limited. The company's ultimate parent company from this date was Financiere Aurenis SAS, a partworks supplier headquartered in France.